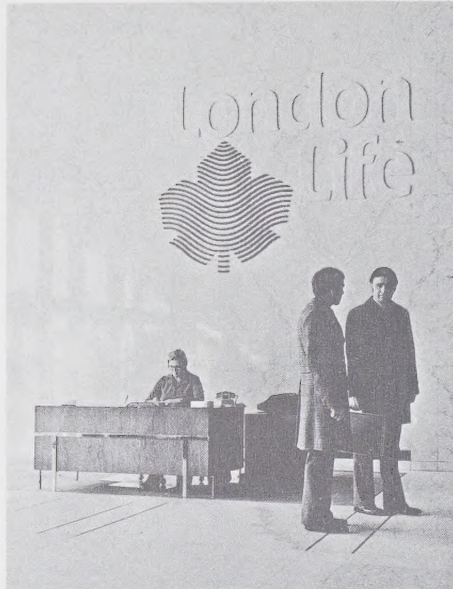


Rob

# London Life





### **The cover**

In a further extension of London Life's corporate identification program during 1973, the company's new insignia was prominently displayed on a wall behind the reception desk in the head office lobby.

Teakwood was used to form the stylized maple leaf, while the lettering was carved from marble.

The insignia identifies London Life as an all-Canadian company and serves to highlight its position of leadership in the life insurance industry. Not only does the company provide financial benefits to more Canadians than any other company, it is also one of the largest mortgage investors in the country.

# Facts at a glance

99th Annual Report of London Life Insurance Company  
for the year ended December 31, 1973

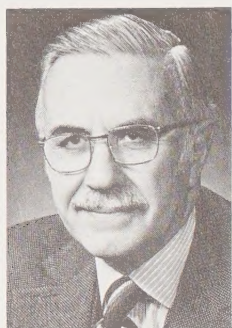
	1973	1972	% Increase
New life insurance issued .....	\$ 1,793,290,324	\$ 1,622,371,593	10.5
Individual policies .....	1,442,299,407	1,255,332,510	14.9
Group policies .....	350,990,917	367,039,083	-4.4
Life insurance in force .....	\$14,995,521,366	\$13,449,236,730	11.5
Individual policies .....	11,162,969,089	10,138,816,714	10.1
Group policies .....	3,832,552,277	3,310,420,016	15.8
Increase in insurance in force .....	1,546,284,636	1,095,618,300	41.1
Group pension premium income .....	\$ 19,826,376	\$ 16,480,767	20.3
Group health insurance premium income .....	\$ 34,659,412	\$ 27,561,693	25.7
Mortgage investments .....	\$ 1,364,892,401	\$ 1,263,085,572	8.1
Bonds, debentures, stocks .....	447,453,176	414,999,713	7.8
Loans on policies .....	118,917,235	108,837,527	9.3
Total assets .....	\$ 2,023,495,809	\$ 1,868,813,249	8.3
Net earnings on investments .....	7.04%	6.81%	—
Dividends paid to policyowners .....	\$ 49,864,144	\$ 45,187,303	10.3
Total benefits paid to policyowners, beneficiaries .....	189,474,006	172,123,036	10.1
Shareholders' net earnings .....	\$ 1,475,012	\$ 1,371,828	7.5
Earnings per share .....	\$2.95	\$2.74	7.5
Dividends per share — regular .....	1.80	1.60	12.5
— special .....	—	2.38	—

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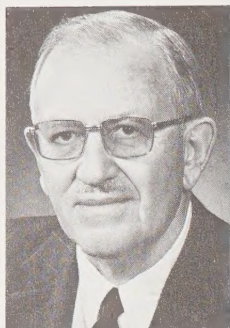
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# Directors

\*Member of Executive Committee



Joseph Jeffery,  
O.B.E., Q.C.\*  
Chairman of the Board



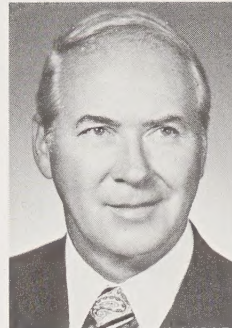
Alexander H.  
Jeffery, Q.C.\*  
President



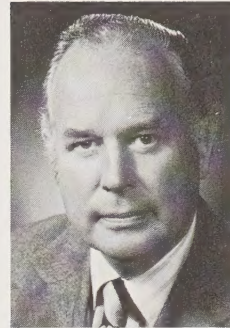
M. C. Pryce  
Executive Vice-President  
and General Manager



Albert W. Anderson  
Director



Alex E. Barron  
Chairman  
Canadian Tire  
Corporation Limited



John B. Cronyn  
Senior Vice-President  
John Labatt Ltd.



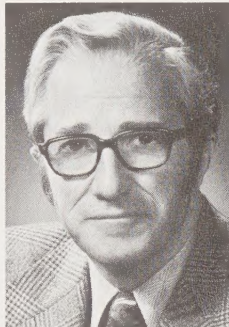
W. Bradley Granger\*  
Director



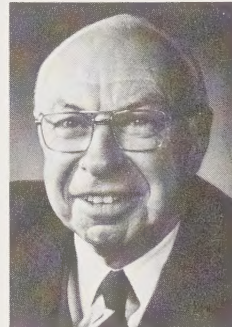
Gordon D. Jeffery  
Partner  
Jeffery and Jeffery



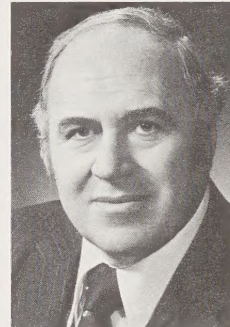
Allen T. Lambert  
Chairman and  
Chief Executive Officer  
The Toronto-Dominion  
Bank



Donald Smith  
President  
Ellis-Don Limited



J. Allyn Taylor\*  
Chairman  
Canada Trust



John J. Wettlaufer  
Dean  
School of Business  
Administration  
University of  
Western Ontario

# Officers

Chairman of the Board

President

Executive Vice-President and General Manager

Vice-President and Treasurer

Vice-President and Executive Director of Marketing

Vice-President and Executive Secretary

Vice-President, Group

Vice-President and Chief Actuary

Secretary

Joseph Jeffery, O.B.E., Q.C.

A. H. Jeffery, Q.C.

M. C. Pryce

G. L. Corneil

R. W. Peters

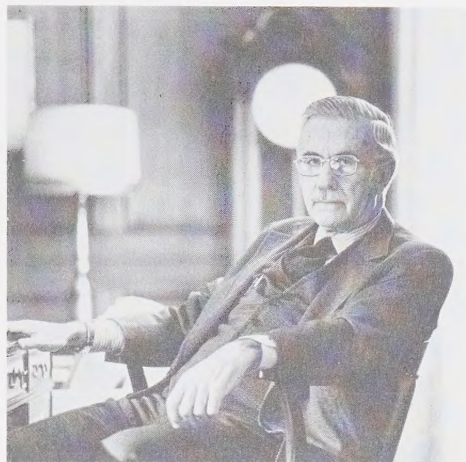
W. L. Pollard

T. E. Reid

D. S. Rudd

H. M. Ballantyne

# Report of Directors

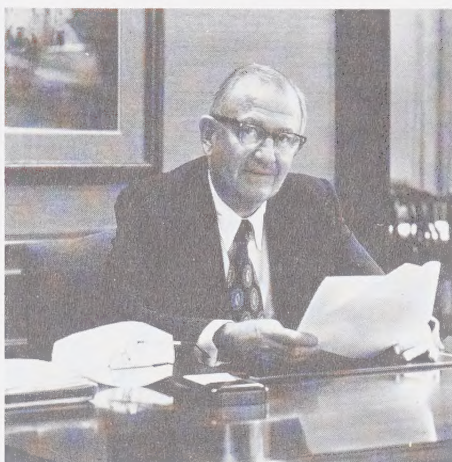


Joseph Jeffery

In these uncertain and unsettling times, we have been faced during the past year with an entire series of shocks — Watergate, currency upheavals, terrorism in Ireland, war in the Middle East, inflation, and oil shortages, among others. Nevertheless, we in Canada are justified in facing the future with a measure of both optimism and enthusiasm.

Admittedly, there is no simple answer to the worldwide energy problem. The Arabs have learned they can gain advantages by restricting supply and using the cutback as both a political and economic weapon. Enormous price increases and reduced supplies will cause economic slowdowns and increased inflation. Countries dependent on Arab crude are in the worst position; if they are fortunate enough to be allocated supplies, it is possible that they won't be able to afford them.

The current outlook for the United States is that 1974 will be a year of very little real growth, no more than 1 to 2%. Inflation will continue at about 6% and unemployment levels will move upward as energy shortages cause dislocations and substitutions. Meantime, the economic outlook for western



A. H. Jeffery

Europe, and particularly Japan, is poor.

## **Alternate sources**

But in a sense, the Arabs have done the world an unintended favor by alerting us to the fact that oil is becoming scarce, and that alternative energy sources must be developed. Industrialized nations, particularly the U.S., have been using all forms of energy in a profligate manner. Even without the Arab embargo, the U.S. would have had shortages this winter. A crunch had to come and it is better to have it now while there is still time to develop alternatives.

In this atmosphere, Canada is indeed fortunate, for we are one of the few countries that can attain self sufficiency in energy. While prices may be higher, and while supplies may not be where we prefer, we have the necessary resources.

We import coal from Pennsylvania, but we have ample supplies in Canada; as the price of coal increases, coal mining will once again become an important Canadian industry. We import oil for Quebec and the Maritimes, and export our surplus production to the U.S. As imports become scarce and expensive, our pipelines will be

extended to Eastern Canada. Of course, redirection of Canadian supplies from the U.S. to our own eastern provinces can be accomplished only on a long-term basis.

Historically, Canadian manufacturing has been relatively inefficient due to small markets and limited production runs. Oil is not only a source of energy; it is also a basic raw material for petrochemicals. An abundant and secure supply of oil, at somewhat lower than world prices, would give Canada a real competitive edge. In recent months, a number of world-scale petrochemical plants have been announced for Canada, and doubtless more will be planned in the years ahead.

Canadian rivers also provide us with a source of energy that is both cheap and pollution free. Even now, at a time when most other industrial nations can generate electricity only from fossil fuels, we are still harnessing hydro potential in Manitoba, Quebec and Labrador.

Then, too, the Alberta tar sands can be developed economically in view of current oil prices; estimates are that 35 billion barrels of oil, enough to last us well into the next century, can be produced at a cost of \$6 per barrel. Indications are that vast reserves of both oil and gas are in the Mackenzie delta and the Arctic; obviously, such distant energy sources will be expensive, in terms of production costs in the past. But rising world fuel prices will make these sources economically viable.

## **Nuclear power**

In the field of nuclear power, Canada is recognized as a world leader and all Canadians can take pride in this fact. Our policies have been successful and our practices have proven economically sound. We have developed our own technology and our uranium supplies are ample. Not only can our technology be

exported, but planning can permit us to have electrical generating capacity to suit our needs, at relatively cheap prices, long into the future. An indication of this is the fact that although nuclear energy supplied less than 2% of Ontario's electrical output in 1970, this has now risen to 20% and by 1980 the figure will be 30%. The ultimate potential, of course, is truly fantastic.

In 1974 our economy should grow 4 to 5%, a lower rate than the past year but exceptionally high by international standards. Unemployment levels will likely increase because the economy will be unable to absorb the continued large number of new entrants into the labor force. Housing starts should be down slightly because of shortages in serviced land, building materials and skilled labor. Rapidly escalating energy prices will compound the problem, and inflation of at least 6% is likely. In this environment, inflationary expectations take hold and the prevailing attitude becomes "buy now, before the next price increase".

#### **Financial position**

The continued acceptance by Canadians of the company's insurance products is shown by the figures throughout this report. In individual insurance in particular, London Life again dominated the Canadian life insurance market.

As the financial statement indicates, London Life continues in a sound position. However, the increase of nearly 15% in individual life insurance sales, combined with an excellent improvement in persistency, puts an unusual strain on company surplus, particularly in the participating Ordinary Life Insurance branch which accounts for the bulk of our business. Improved productivity resulted in a reduction in head office staff, which might have made it possible to show

a satisfactory operating gain except for continued inflation of salary scales and a further liberalization of the staff pension plan. These factors required a revaluation of the staff pension liabilities which resulted in increasing the company's annual contribution by about \$5 million.

As a result, there is a significant operating loss in the Participating branch. Profits in the Non-Participating branch and the Health branch reduced the overall loss to slightly more than \$3 million. After a release of unallocated actuarial reserves less a net increase in reserves resulting from changes in valuation bases of \$3.4 million, an addition of \$1 million to the investment reserve and the transfer to the shareholders' account of nearly \$1.5 million, the decrease in surplus amounted to just over \$2 million.

Shareholders' earnings amounted to \$2.95 per share, compared to \$2.74 in 1972. After paying \$1.80 per share in dividends, the shareholders' account was increased by over \$500,000 to about \$2.8 million.

#### **Milestones**

Senior personnel who retired during the year included J. A. Millman, mortgage executive; L. H. McConnell, administration executive, regional offices; and in the district sales division, G. S. Woolsey, director of marketing, and C. F. Byron, associate director of marketing. The board wishes to record its appreciation for the valuable services rendered by these men over the years. Appointments during the year included R. D. Abercromby, mortgage executive; R. L. Low, administration executive, regional offices; and D. E. Creighton, director of marketing, district sales division.

The directors record with regret the deaths during recent months of two

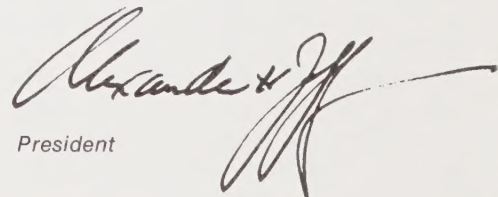
regional mortgage managers. J. D. Carter of Kitchener had served the company for 40 years and A. G. Graham of Toronto was with London Life for 24 years.

Starting May 1, 1974 and continuing for the following 12 months, London Life marks its 100th year of operations. With this in mind, our advertising will have a centennial flavor and policyowners will be informed of the milestone. Nevertheless, the celebration will be focused primarily on our staff through a series of recognition dinners, and board of directors' meetings, in all regions of the nation.

On behalf of the board, we would like to take this opportunity to extend our appreciation for the contributions of each and every member of the staff during the past year. The success of their efforts can be measured by the many outstanding achievements outlined on the following pages of this report.



*Chairman of the Board*



*President*

# Report of Executive Vice-President and General Manager



M. C. Pryce

By most yardsticks, 1973 was a year of tremendous achievement.

We provided more Canadians than ever before with record amounts of life insurance, health insurance, pensions and annuities. And at a time of housing shortages, we supplied the largest amount of new mortgage money in our history. Earnings on investments, and benefits to policyowners and beneficiaries, also rose to record levels.

In mid-year, we became the first company to provide Canadians with \$14 billion of life insurance protection. During the following six months, we added almost another \$1 billion of insurance in force. So we entered 1974 short of the \$15 billion milestone by only \$4.5 million.

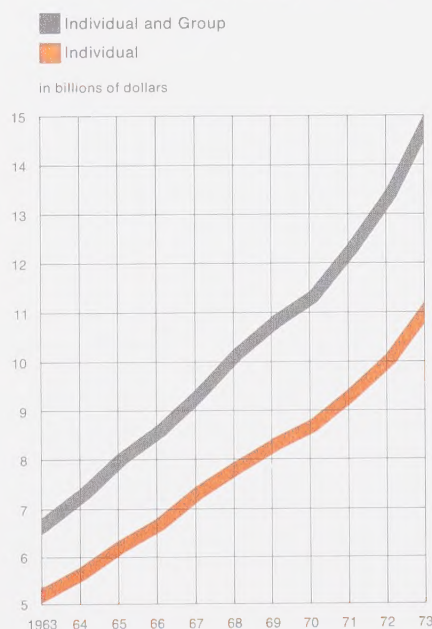
About 80% of the total population growth in Canada between now and 1980 is expected to be in the age group 20 to 39 years. Since half our sales are to this group, our market can be expected to grow faster than ever in the years ahead. However, to expand most effectively we must be ever-mindful of trends in society and changing needs of the public.

In the past, Canadians did not always fully understand the unique

properties of insurance. But increasingly, people are aware of our products, and of the variety of needs that insurance can satisfy, from simple protection to highly complex business situations.

Our large and competent sales staff is in a position to supply clients with appropriate information, and in turn, to keep all of us alert to the changing needs of consumers in the fields of insurance protection and savings plans. During 1973 we took further measures to better inform our customers and to develop additional interest in our products. One of these involved contacting 500,000 policyowners by mail to encourage questions about life insurance. The response has been gratifying and has given us many opportunities to provide information to individual clients, both directly and through our sales staff.

Growth of Life Insurance in Force



Moreover, in accordance with guidelines from the Canadian Life Insurance Association, we have developed methods by which clients can more fully compare the costs of various policies. And early in 1974,

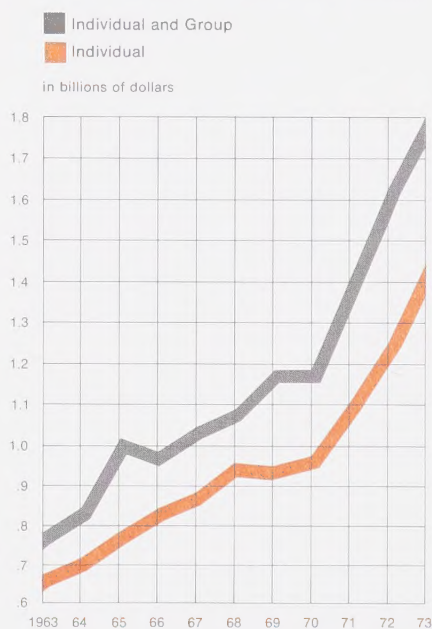
we are arranging to provide buyers with a formal 10-day approval period, to ensure new policies are both acceptable and appropriate.

In an era of steadily rising costs, we have taken further steps to hold the line on expenses. One measure of improved productivity was a decrease of almost 5% in the head office staff during the year, despite higher sales and larger volumes in force.

## Life coverage rises

Sales of individual life insurance policies surpassed \$1.4 billion, the highest amount in our history and an increase of almost 15% over 1972.

Growth of New Life Insurance Issued



After taking into account death claims, matured endowments and other terminations, the amount of individual insurance in force rose more than \$1 billion, an all-time high and an increase of 30% over the gain for the previous year.

Trends were favorable not only in the amount of insurance, but also in size and type of policy. Some 112,200 individual policies were sold, 5,850 more than in 1972. The average new policy provided about

\$12,930 in protection, up approximately \$1,085 over the previous year. More than half the policies were for amounts of \$10,000 and above. In addition, the average premium per policy grew to \$170, up \$16. Continuation of these trends should result in a more economical operation and improved benefits to policyowners for their premium dollars.

Plans with a high savings element showed strong gains. For example, endowment sales amounted to almost \$137 million, up 47%. By contrast, term policies rose less than 7%.

Our equity policies accounted for well over 9% of the amount of individual basic life insurance sold, compared with 7% in 1972. Sales were particularly buoyant in the first half, but tapered off during the closing months in line with stock market trends. In less than four years of sales, the number of policies in force reached almost 24,000, accounting for \$357 million in basic coverage. These plans combine permanent life insurance protection with investment in stocks and other equities. London Life remains one of the few companies in this field, and continues to account for about half of all Canadian sales.

During the year we issued almost 14,000 life insurance and annuity plans for purposes of registered retirement savings. Since January 1972 when the new higher contribution limits came into effect, the number of registered plans in force has almost doubled to 37,400. Because of widespread publicity, clients realize such plans are one of the most effective ways of building savings for their retirement years.

Sales of individual annuities grew 49% during 1973 to 7,135 contracts. To help maintain our competitive position in this rapidly-growing market, we introduced a new rate structure at the beginning of 1974

for non-participating annuities. The new rate base marks the successful completion of a computer pricing model which simulates a variety of possible interest rates, investment results, mortality rates and expense assumptions.

### **Group benefits division**

Despite further entries by federal and provincial governments into various aspects of group health and pensions, our group benefits division showed vigorous growth. During the year we received close to \$78 million in group premiums, up 21% over 1972.

Unlike many insurance companies, London Life markets its coverage almost exclusively through its own sales staff. With our more than 60 group benefits specialists from Victoria to Halifax, together with our 2,050 representatives and managers, we are well equipped to carry out our own marketing. In this way, we can reach the many companies in the smaller Canadian centres, as well as such large metropolitan areas as Montreal, Toronto and Vancouver. Moreover, because we meet our clients first hand, we are in an ideal position to design plans to meet individual needs and to provide quality service on a continuing basis.

Group life insurance sales amounted to \$351 million, down \$16 million from 1972. However, because of growth in numbers of employees and coverage per employee in existing groups — together with low terminations — the gain of insurance in force was far higher, \$522 million, an increase of 70% over 1972.

At year end, the amount of group life insurance in force reached \$3.8 billion, about the same amount as our total insurance in force as recently as 1956. In fact, London Life's group insurance alone would rank it as one of the dozen largest insurance companies in Canada,

well ahead of many well-known firms.

A new and unique dividend strategy for group life, developed from research by our actuarial and systems personnel, became effective at the beginning of 1974. We believe the new plan will result in greater stability of rates and increased client satisfaction.

Under Incomeguard group plans, introduced late in 1970, a widow receives regular payments over a specified period of years, rather than a single lump sum. Sales during 1973 amounted to \$40 million of insurance coverage, with the number of groups rising by 74 to 228. London Life is still one of the few companies providing such protection.

### **Health plans grow**

The entry of provincial governments into the medicare field had a negative effect on our health branch a few years ago. However, in recent years we have broadened our operations by offering benefits not available under the government plans. As a result, at the end of 1973 our health premiums in force reached almost \$36.2 million, a new high and an increase of 24% over the previous year. At the same time, employees of 4,056 organizations were insured under our health plans, up from 3,881.

Disability insurance continued to account for well over half the total health premium. Government benefits in this field are basic, so supplementary private coverage is vital. At year end, premiums in force from Weekly Indemnity and Long Term Disability amounted to \$19.7 million, up 24%.

In the autumn of 1972, claims experience on Long Term Disability deteriorated rapidly. This trend continued into 1973 and resulted late in the year in the raising of underwriting requirements, the

tightening of the definition of disability, and a 15% rise in basic rates. However, our trends are in line with the industry and we are still highly competitive.

Healthguard Drug and Supplementary Health Plans, introduced in recent years to augment the government plans, now account for \$4.1 million in premiums, up 29% over a year ago. Dental premiums at year end totalled almost \$3.6 million, up 57%; however, growth in this field may be slower in future years, as provinces introduce their own dental plans.

### Group pensions

The past year was an exceptional one for our fully guaranteed group annuities. New premiums almost doubled to \$2.5 million. Sales were made to 181 groups, compared with 126 during 1972. Reserves grew during the year to \$189 million, up from \$174 million.

Interest rates on our group annuities were improved during 1973 and further improved at the beginning of 1974. For the first time in history our interest assumptions in the 10 years after purchase are now in excess of 8%. Moreover, at the beginning of 1974 our rate structure was altered to reflect new mortality tables. These measures will help lower the cost to clients.

The mortgage fund continues to attract the greatest interest among our non-guaranteed group pension contracts. Assets rose 60% during the year to \$15.7 million. In the past, the fund invested solely in conventional, long-term corporate mortgages that could not be refunded even if general interest rates declined. However, because of scarcity of such mortgages, we are also preparing to invest in long-term NHA corporate mortgages, where the borrower has a right to prepay during the final 10 years.

Assets of the other two pooled group investment funds, the fixed income fund and the equity fund, fell to a total of \$6.7 million, down from \$8.2 million. At the request of one client, a large transfer took place during the year from the fixed income fund to the mortgage fund. The past year was a difficult period for stock market investments, and unit values of the equity fund fell 5% to \$23.07.

Besides their use in funding pension plans, the non-guaranteed contracts can also be used by Deferred Profit Sharing Plans. Such plans provide employees with a tax-deferred method of participating in the annual earnings of their employer. London Life entered the field in 1973, after the enabling legislation was passed, and sold 13 plans by year end.

### Assets surpass \$2 billion

Total assets of the life and health branches rose to \$2.023 billion in 1973, an increase of \$155 million.

In the life branch, new investments including policy loans amounted to \$281 million, a new record exceeding the 1972 total by \$98 million. During the past five years more than \$850 million has been invested in mortgages, securities and policy loans at an average gross rate exceeding 8.3%, an exceptionally high level by historical standards. Funds available for investment were favorably influenced by large increases in invested assets, principal repayments of mortgage loans, and \$34 million of excess liquidity which we had at the beginning of 1973.

Mortgages continued to account for the largest part of new investments. In 1973 cash advances on new mortgages totalled \$176 million, the largest amount in our history and an increase of \$50 million over the previous year. We expect to have a very active year in mortgage investments during 1974 at a level



slightly lower than the previous year. Interest rates at the beginning of 1974 for conventional and NHA mortgage loans were 10% and 9¾% respectively, compared with 9% a year earlier.

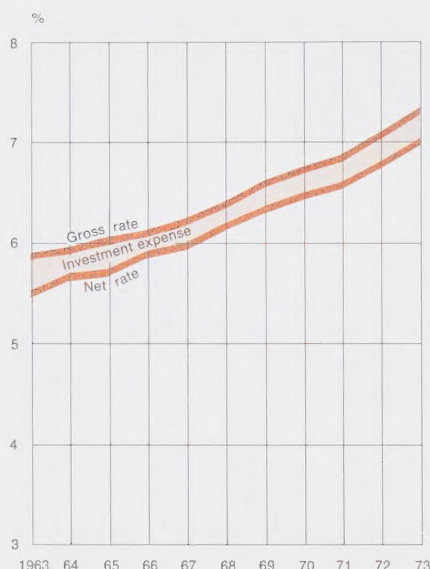
During the year, we broadened our investments in real estate. A realty company half owned by London Life arranged to purchase an 11-acre property in downtown Toronto. The remaining 50% of the company is owned equally by the CNR Pension Fund and two Toronto real estate companies that will manage the project, A. E. LePage Limited and Markborough Properties Limited.

The T. Eaton Co. Limited will continue to operate its College Street store on the site for at least three years. However, at some future date the property will be redeveloped. The site represents the largest parcel of available prime downtown land in Toronto, and perhaps any major city in Canada. This is the first such investment for London Life and we are confident it will further strengthen our portfolio.

During the year \$60 million was invested in high grade, long-term government and corporate bonds, the highest amount in more than 25 years. At current high yields, we expect to exceed these total bond purchases during 1974.

In the regular life funds of the company — and excluding the segregated funds discussed elsewhere in this report — the net interest rate earned after investment expenses rose to 7.04% from 6.81%.

**Interest Rates Earned**



This is the first time since 1915 that the net rate has surpassed the 7% level. The quality of our investment portfolio continues at the highest grade, and we compare very favorably with other major insurance companies in Canada in terms of net interest rate earned after investment expenses.

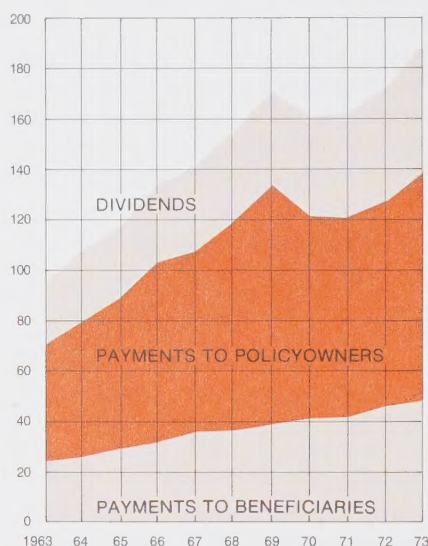
In the health branch, new bond purchases exceeded \$7.2 million in 1973. In addition, \$1 million of NHA insured single family mortgages were added. Invested assets in this branch increased by \$7.2 million and now amount to \$30.9 million.

### Benefits reach \$189 million

Benefits paid to policyowners and beneficiaries surpassed \$189 million, an increase of \$17 million over 1972. The vast majority of benefits, \$141 million, consisted of payments to living policyowners in the form of dividends, health insurance and disability payments, annuity benefits, and payments for matured endowments, cash surrender values, and interest on policy or contract funds.

**Benefits Paid to Policyowners and Beneficiaries**

in millions of dollars



Dividends paid to owners of participating policies amounted to about \$50 million, an increase of \$4.7 million over 1972. A new dividend scale for 1974 will more accurately reflect current experience, including higher interest rates and increased expenses. The scale is the first change since 1967 and the first in 25 years involving some decreases. Dividends in the early years will generally be lower than in the past. However, during later years dividends on the new scale are more closely in line with the old scale. In policies which have built up substantial values, particularly registered retirement savings plans,

dividend returns generally will be increased under the new scale.

Mortality during the year was somewhat more favorable both for individual and group insurance contracts. However, with the greater number of insurance policies in force, death benefits totalled \$44 million, compared with \$42 million in 1972. As in recent years, more than half the total deaths were from heart diseases and cancers. However, respiratory diseases continue to show a rising trend, accounting for 10.2% of deaths in 1973, 9.7% in 1972 and 8.6% in 1971. In the age group 30 to 39 years, 17% of deaths were from motor vehicle accidents, down from 22% in 1972.

Despite the greater number of policies in force, \$26 million was paid out on policy surrenders, \$500,000 less than in 1972. However, in a period of high interest rates, more policyowners took advantage of their loan privileges. Loans to policyowners therefore increased by \$10 million, compared with an increase of \$3 million in 1972.

### Meeting human needs

By its very nature, an annual report of a large company such as ours tends to deal with figures on a rather vast scale. Millions of dollars, even billions, are quoted on page after page. Naturally, this is an important part of the reality of our company.

But only a part.

The human side of our operations cannot readily be summarized in a few figures. A glimpse of what it means in our day-by-day operations is suggested later in this report.

Executive Vice-President and  
General Manager

# A perspective on people and programs

During 1973, several innovations relating directly to London Life employees were begun. A system of job posting was introduced to make all employees aware of openings in positions up to and including division supervisor or regional office leader. Those who feel qualified are then able to apply.

Since the introduction of the program in March 1973, a total of 286 jobs has been posted. This resulted in approximately 1,300 interviews with employees who were interested in new positions. At December 31, 1973, 253 employees had transferred, with 59% transferring within the same department and 41% from other departments. This system provides the individual with greater opportunity for advancement and recognition of job opportunities with the company.

A study of these same jobs through job evaluation indicated that a small number of them needed to be raised to a higher category than in the past. The re-classifying of these positions became effective March 4, 1973.

The company's salary policy has been to maintain a scale of salaries that is in harmony with local communities and the insurance industry in Canada, and in addition, to provide up-to-date fringe benefits such as group health insurance and pensions. During the year, the policy of across-the-board salary increases was discontinued. In place of across-the-board increases, employees' salaries on their employment anniversary are being adjusted to reflect the position they hold, their performance, current salary scales and any changes in the cost of living since the last anniversary.

Field representatives achieved record average sales performance in 1973. Their exceptional sales results and a significant improvement in persistency of

policies resulted in a proportionate increase in field representatives' incomes.

The Marketing Organization experienced a substantial improvement in turnover rates of salesmen. Turnover reached an all-time low of 12.2%, a significant decline from 17.9% five years ago. It is believed that this is one of the lowest percentages in the life insurance industry, and confirms the professional role of the field representative and his increasingly important position in the community.

Throughout 1973, emphasis was continued on job enrichment and individual performance, improved productivity and effective communication. In this favorable environment, staff members in both head office and the regional offices continued to develop toward their full potential, in keeping with the rising standards of service to which the company is committed.

Financial security is always important but never more so than at retirement. Government plans provide a measure of protection through Old Age Security benefits and the Canada and Quebec Pension Plans. London Life's new Staff Pension Plan, effective January 1, 1973, combines with the Canada and Quebec Pension Plans to extend to all employees the concept of a retirement income related to average earnings in the last few years prior to retirement. In an era of generally rising incomes, the final average earnings plan tends to provide the greatest protection for the individual and highest possible retirement income.

Technological advances were also a part of London Life's progress in 1973. In September we received delivery of the IBM System 370/168. We were the first company in Canada to install the new virtual storage operating system which

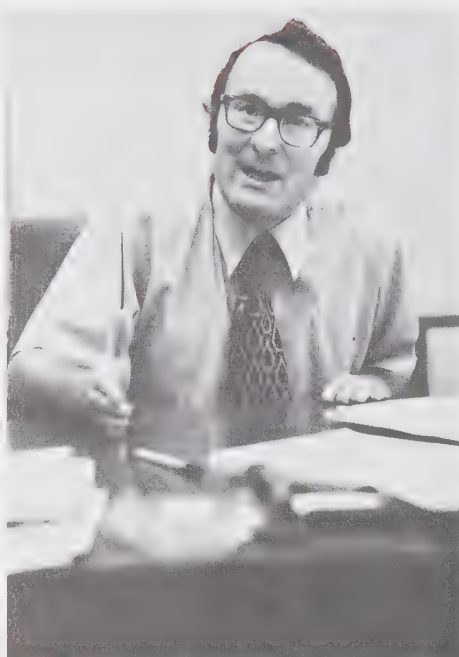
incorporates new technology for memory, as well as assisting in programming and computer operations. This new equipment improved the operating performance of our data processing systems and made it possible to release the two other large computers — System 360/65 and System 370/155.

Approval was given to the installation of computer terminals in all regional offices. This extension of our information system for individual insurance into regional offices is a significant forward step. Improved service on a person-to-person basis between our field staff and our policyowners at the local regional office will be made possible by this system. Other benefits will include financial savings, improved methods and further job enrichment for members of regional office staffs, as well as a foundation for the future to meet changing London Life corporate business objectives.

The company continued to make its usual contributions to United Appeal campaigns across Canada, and contributions to capital programs for hospitals and universities, and other donations to investigative science in the medical field.

## A commitment to service

With nearly two million Canadian policyowners and their beneficiaries, London Life has a large obligation to maintain prompt and efficient service to each of its policyowners. This commitment is reflected in many forms and styles of individual approach, but each adds up to a philosophy of giving one's best at a personal level. A few examples are described on these pages.



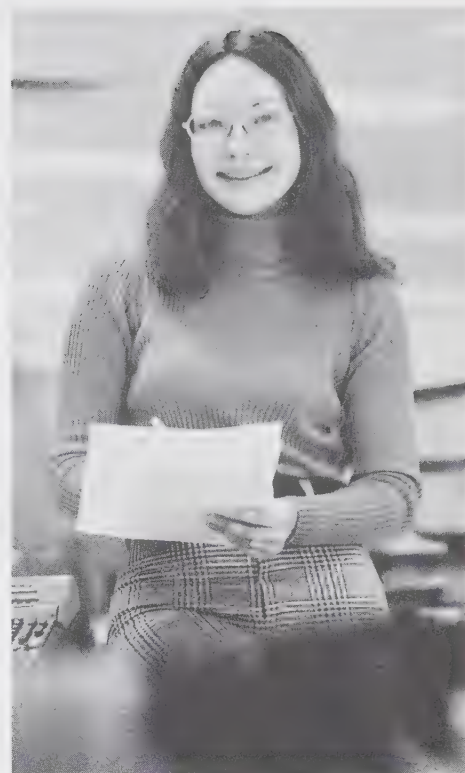
**Jerry Wolf**  
Actuarial

Typical of the kinds of service and involvement the members of London Life's Actuarial Department engage in are the activities of associate actuary Jerry Wolf.

A member of the contract division as well as the Clients' Advisory Council, Jerry feels service is a communication job. "Answering requests from representatives seeking advice for clients takes time," he says, "but our reps need answers *now*, and I guess that just shows how willing we are to help."

Communicating takes other forms, too. Among them are Jerry's contributions to Marketing News, a regular information flow on current tax questions.

For persons like Jerry, there is nothing "ivory-towered" about his current tasks, which have a direct involvement with the day-to-day needs of London Life's customers.



**Nancy Hawthorne**  
Policy Record

Nancy Hawthorne, correspondence clerk in the loan and surrender section of the Policy Record Department, maintains a daily communication with London Life's customers. Thus when she talks of "keeping the customers happy" she is speaking from direct experience.

"We have certain goals in our area — for instance, to process cheque requests within three days, or if correspondence is involved, to reply immediately," she explains.

The services provided by a correspondence clerk extend to offering helpful suggestions to policyowners who may be unsure of which actions are in their best interests.

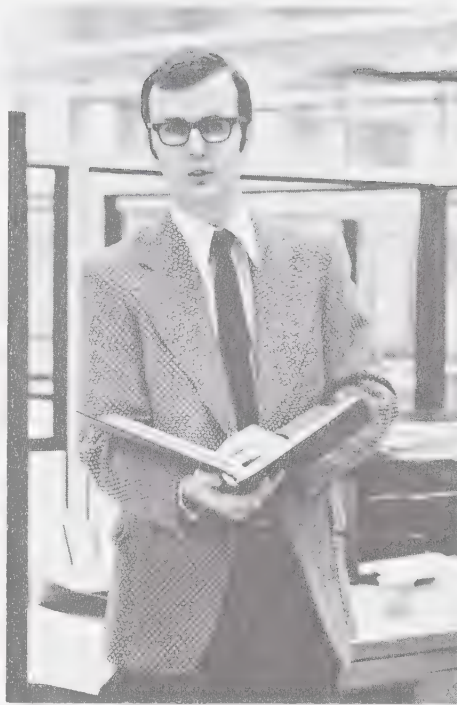


**Bob Young**  
Underwriting

As an underwriting consultant, Bob Young handles applications from a specific area of the country — his “territory” includes east of Toronto to the Maritimes.

Bob is responsible for large or special cases, some of which may also go to an underwriting committee for consideration. “No case is ever turned down or rated by just one person,” he says. “There always has to be a consensus of at least two underwriters.”

Bob is enthusiastic about the role of consultant because “I enjoy liaison with the field and the responsibilities that go with it.” This service includes discussing possible exceptions on certain cases, as well as decisions on business cases where deadlines are important.



**Bill Law**  
Systems and Methods

For three years systems analyst Bill Law has been involved in London Life’s largest computerized system, which was one of the first of its type to be implemented about 10 years ago. This, the individual system, is the system which controls and updates records on 1.7 million individual life insurance policies.

“By utilizing new developments in computer technology,” Bill says, “we’ve been able to enhance the service capabilities of the system.”

Among many others in head office, Bill has been involved in the newest application which is now in the development stage. That is regional office data teleprocessing, an electronic communications network which, he says, “will definitely aid service to the policyowners.”



**Gord Jackson**  
Life Claims

“When I came into this office three years ago, it was 90% a technical job — mostly involving problem solving of claims,” says Gord Jackson, coordinator in the Life Claims Department. “Since then, with the adoption of recent management concepts, the job has evolved, and now consists mainly of administrative projects. With new work flow systems involving the computer, we’re able to provide better service in spite of increased volume of claims.”

“We are attempting to improve the quality of our service as well as our efficiency,” says Gord. “For example, we used to answer questions from beneficiaries concerning settlement of their claims proceeds. Now we often lead them to a decision on the matter of settlement *before* they ask the questions. None of these improvements would be possible without our capable staff.”

## "We're people helping people"

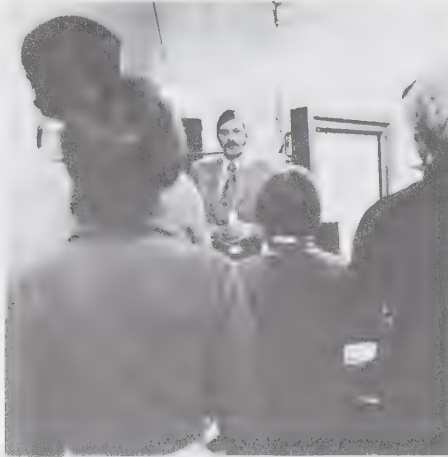
Developing leadership in the industry stems from a personal style that is reflected from coast to coast.



**Vancouver**  
Individual sales

When he came to Canada from England a few years ago, Andrew Cleminson knew only three people. Now he owns a farm in nearby Aldergrove where he raises horses, a hobby he shares with his client David Graham, who is seated behind him on Pancho, a valued Clydesdale.

Andy says, "I attach a great deal of importance to being involved all the time, not only as a life insurance salesman giving personal service to every individual who becomes my client, but also as a good worker who can be relied upon to get a job done. This is a tremendous advantage — we have the opportunity to plan our business time, enabling us to give fairly freely and frequently to outside activities."



**Regina**  
Group insurance

Employees of a Regina photo engraving firm learn about additions to their employee benefits from Dick Cavaye, group benefits manager in Saskatchewan (who has since transferred to Victoria in a similar capacity).

"We sell service in this area," Dick says. "Other companies compete only on rates, since they don't have representatives who can give personal attention as we do."

Servicing clients at a distance from head office, where all London Life groups are administered, is no disadvantage, Dick finds. "As a matter of fact, it usually helps. When a client sends in a claim on Friday, and receives his cheque by the following Friday, that's the best advertisement we can make for our service."



**London**  
Corporate identity

As a prototype sign containing the company's new corporate signature was erected on one of the regional offices the corporate identity program moved into its final stages.

More than three years of planning and implementation were involved in the development of the new signature, which now appears for maximum identification on letterheads, forms, advertising, publications — everywhere, in fact, where London Life's name may appear.



### **Toronto**

Television programming

A scene is filmed for "Adolescence," the 10th special in the award-winning series *The Human Journey*, produced for London Life by the CTV network.

Now in its fourth season, *The Human Journey* has won acclaim from both the critics and the public. More than half a million booklets based on the programs have been distributed, and prints of the films are in heavy demand by schools and organizations across Canada.

As a vehicle for broadcasting our advertising messages, *The Human Journey* has been cited as an outstanding example of London Life's involvement in social issues in our constantly changing society.



### **Montreal**

Mortgage financing

The largest apartment developer in Montreal with whom London Life invests its mortgage funds is Robert Caron, shown above (right) in front of his newest project with regional mortgage manager Don Pearce.

His accessibility to all levels of management, and the company's understanding of the builder's problems and needs, are major reasons why Bob Caron has obtained London Life funding exclusively since he started building 22 years ago, he says.

"I can say, 'This is what I want to do' from one year to the next, knowing that London Life won't change its lending policy." He further cites "the expertise of the local personnel, which results in a knowledgeable relationship and fair treatment of the developer."



### **Halifax**

Regional office service

Communications is probably the most essential key to providing effective service across Canada. In the regional offices, more than 800 staff members are dedicated to providing client service as well as valued support to the field force.

At Halifax Citadel, regional office manager Norton Campbell anticipates that mail and telex communications will be supplanted in large measure by the implementing of an electronic data communications network.

"Because of our distance from home office, we sometimes have a mail problem," he explains. "With the addition of regional office terminals, we should be able to provide information instantly to policyowners, instead of the present two days to a week that mail requires."

Discussing the possible location of a visual monitor unit in the office area with Norton are office supervisor Daisy Spicer, centre, and Betty Devison.

# Balance sheet

The life and health insurance branches are combined in these financial statements.

At December 31

ASSETS	1973	1972
The Company has the following assets to meet its obligations to policyowners:		
Bonds and debentures ..... <i>Valued at amortized cost less write-downs.</i>	\$ 420,174,873	\$ 395,058,977
Stocks ..... <i>Valued at cost less write-downs.</i>	27,278,303	19,940,736
First mortgages and sale agreements ..... <i>Amount of loans outstanding.</i>	1,364,892,401	1,263,085,572
Real estate		
Income-producing properties ..... <i>At cost less accumulated depreciation of \$4,524,305 (\$4,200,923 in 1972).</i>	5,412,900	5,735,746
Foreclosures of mortgages ..... <i>At cost less accumulated depreciation of \$7,595,190 (\$7,177,467 in 1972).</i>	—	75,280
Head office premises ..... <i>At cost less accumulated depreciation of \$7,595,190 (\$7,177,467 in 1972).</i>	16,258,550	16,081,146
Loans on policies ..... <i>These loans are fully secured by the cash value of the policies on which the respective loans are made.</i>	118,917,235	108,837,527
Cash on hand and in banks .....	5,544,449	6,205,837
Electronic data processing equipment ..... <i>Equipment is valued at cost less accumulated depreciation of \$2,969,368 (\$4,052,532 in 1972).</i>	4,925,581	1,025,134
Premiums in course of collection ..... <i>Secured by policy reserves.</i>	10,189,066	7,950,432
Interest and dividends accrued ..... <i>This sum represents accruals on investments.</i>	17,423,291	15,132,706
Segregated funds investments ..... <i>For group pensions and individual equity contracts, valued at market.</i>	30,218,339	23,093,111
Miscellaneous assets .....	2,260,821	6,591,045
Total assets .....	\$2,023,495,809	\$1,868,813,249

Auditor's Report to the Policyowners, Shareholders and Directors of London Life Insurance Company:  
We have examined the balance sheet of the London Life Insurance Company at December 31, 1973 and the statement of income, the statement of surplus, and the shareholders' account for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances; the reserves and other liabilities under policy contracts were determined and certified by the Company's Chief Actuary.  
Bonds and stocks are shown in the balance sheet at values which are in the aggregate less than the values permitted by the Canadian and British Insurance Companies Act.

At December 31

LIABILITIES	1973	1972
The liabilities which the Company has assumed are:		
Policy reserves .....	<b>\$1,377,618,734</b>	\$1,277,054,088
<i>This amount together with segregated funds policy reserves, future premiums and interest earnings provides for the payment of benefits promised on all policies in force.</i>		
Other obligations to policyowners .....	<b>329,537,026</b>	302,527,014
<i>This amount is made up as follows:</i>		
<i>\$213,339,984, dividends due and left by policyowners to accumulate</i>		
<i>21,316,977, the proceeds of policies left on deposit for</i>		
<i>policyowners and beneficiaries</i>		
<i>48,335,829, provision for dividends to policyowners payable in 1974</i>		
<i>39,282,277, for claims where proof is incomplete and for claims</i>		
<i>which may have occurred but which have not yet</i>		
<i>been reported</i>		
<i>7,261,959, advance premiums paid by policyowners.</i>		
Staff pension and insurance reserves .....	<b>118,111,250</b>	101,918,072
<i>Increased pension benefits to employees results in an unfunded obligation of \$27,600,000 as at December 31, 1973 which is being funded by annual contributions over the next 15 years.</i>		
Taxes, commissions, and other accounts due and accrued .....	<b>8,153,068</b>	6,756,674
<i>This includes premium taxes of \$1,429,610 payable in 1974.</i>		
Segregated funds policy reserves .....	<b>30,218,339</b>	23,093,111
<i>For group pensions and individual equity contracts.</i>		
Miscellaneous liabilities .....	<b>18,983,667</b>	16,102,926
	<b>\$1,882,622,084</b>	\$1,727,451,885
Capital stock .....	<b>1,000,000</b>	1,000,000
<i>Authorized, issued and fully paid: 500,000 shares of \$2 par value.</i>		
Shareholders' account .....	<b>2,868,687</b>	2,293,675
Investment reserve .....	<b>33,300,000</b>	32,300,000
<i>In addition to the surplus, the Company's ability to meet its obligations is safeguarded by this investment reserve.</i>		
Surplus .....	<b>103,705,038</b>	105,767,689
<i>This provides additional security for policyowners and their beneficiaries.</i>		
Total liabilities, capital and surplus .....	<b>\$2,023,495,809</b>	\$1,868,813,249

In our opinion based on our examination and the certificate of the Chief Actuary, the accompanying balance sheet, and the related statement of income, the statement of surplus and the shareholders' account present fairly the financial position of the Company as at December 31, 1973 and the results of its operations for the year then ended in accordance with accounting practices prescribed or permitted by the Department of Insurance of Canada.

CLARKSON GORDON & CO., Chartered Accountants

London, Canada, February 8, 1974

# Statement of income

Year ended December 31, 1973  
with comparative figures for 1972

	1973	1972
<b>INCOME</b>		
Premiums and annuity considerations .....	<b>\$287,676,680</b>	\$248,655,949
Earnings from investments less investment expenses of \$8,351,188 (\$7,434,281 in 1972) ..	<b>129,580,851</b>	118,687,615
Total	<b>\$417,257,531</b>	\$367,343,564
<b>DISTRIBUTION</b>		
<i>For policyowners and beneficiaries —</i>		
Death benefits .....	<b>\$ 44,335,280</b>	\$ 41,695,930
Disability benefits .....	<b>1,197,824</b>	1,071,814
Annuity benefits .....	<b>23,059,632</b>	17,551,827
Health insurance benefits .....	<b>23,432,111</b>	20,193,576
Matured endowments, cash surrender values and interest on policy or contract funds .....	<b>47,585,015</b>	46,422,586
Dividends to policyowners .....	<b>49,864,144</b>	45,187,303
Addition to policy reserves to provide for future payments .....	<b>134,820,879</b>	113,735,211
<i>For operating expenses —</i>		
New insurance and field service to policyowners .....	<b>49,887,622</b>	39,709,656
Service to policyowners at head and regional offices .....	<b>36,109,501</b>	32,948,204
Corporate income taxes .....	<b>5,457,854</b>	3,429,213
Premium tax and other taxes .....	<b>4,197,156</b>	3,903,359
Contributions to education and public health and welfare .....	<b>311,979</b>	322,601
Total	<b>\$420,258,997</b>	\$366,171,280
Net income (loss)	<b>( \$ 3,001,466 )</b>	\$ 1,172,284

## Actuary's Certificate

The total policy reserves shown in the balance sheet at December 31, 1973, are in excess of those required by the provisions of the Canadian and British Insurance Companies Act, and, in my opinion, make good and sufficient provision for all unmatured obligations of the Company guaranteed under the terms of its policies.

D. S. RUDD, F.S.A., F.C.I.A.  
Vice-President and Chief Actuary  
February 8, 1974

# Statement of surplus

Year ended December 31, 1973  
with comparative figures for 1972

	1973	1972
Net income (loss) .....	(\$3,001,466)	\$1,172,284
Release from unallocated actuarial reserves less net increase in reserves resulting from changes in valuation bases .....	3,413,827	—
Adjustment of prior years' corporate income taxes .....	— \$ 412,361	3,721,909 \$ 4,894,193
Less:		
Addition to investment reserve .....	\$1,000,000	\$1,000,000
Shareholders' net earnings .....	1,475,012 2,475,012	1,371,828 2,371,828
Increase (Decrease) in surplus .....	(\$ 2,062,651)	\$ 2,522,365
Surplus at beginning of year .....	105,767,689	103,245,324
Surplus at end of year .....	\$103,705,038	\$105,767,689

## Shareholders' account

Year ended December 31, 1973  
with comparative figures for 1972

	1973	1972
Income .....	\$1,356,092	\$1,237,318
Earnings from investments .....	118,920 \$ 1,475,012	134,510 \$ 1,371,828
Less:		
Regular dividends .....	\$ 900,000	\$ 800,000
Special dividend .....	—	1,190,000
Income tax related to special dividend .....	— 900,000	210,000 2,200,000
Increase (Decrease) in shareholders' account ..	\$ 575,012	(\$ 828,172)
Shareholders' account at beginning of year ....	2,293,675	3,121,847
Shareholders' account at end of year .....	\$ 2,868,687	\$ 2,293,675
Net earnings per share .....	\$2.95	\$2.74
Regular dividends paid per share .....	1.80	1.60
Special dividend paid per share .....	—	2.38

The shareholders' portion of the divisible profits in participating branch is limited to 2½% by the Canadian and British Insurance Companies Act.

# Summary of capital, investment reserve and surplus

at December 31  
(in thousands of dollars)

	1973	1972	1971
Life and health insurance branches			
Investment reserve .....	\$ 33,300	\$ 32,300	\$ 31,300
Surplus .....	103,705	105,768	103,245
<b>Total</b>	<b>\$ 137,005</b>	<b>\$ 138,068</b>	<b>\$ 134,545</b>
Shareholders' account			
Capital stock .....	\$ 1,000	\$ 1,000	\$ 1,000
Surplus .....	2,869	2,294	3,122
<b>Total</b>	<b>\$ 3,869</b>	<b>\$ 3,294</b>	<b>\$ 4,122</b>
Total capital, investment reserve and surplus .....	<b>\$ 140,874</b>	<b>\$ 141,362</b>	<b>\$ 138,667</b>

# Ten years of growth

(in thousands of dollars)

	1973	1972	1971
New life insurance issued .....	\$ 1,793,290	\$ 1,622,372	\$ 1,405,056
Individual policies .....	1,442,299	1,255,333	1,101,537
Group policies .....	350,991	367,039	303,519
Total life insurance in force .....	\$14,995,521	\$13,449,237	\$12,353,618
Individual policies .....	11,162,969	10,138,817	9,350,581
Group policies .....	3,832,552	3,310,420	3,003,037
Total assets .....	\$ 2,023,496	\$ 1,868,813	\$ 1,731,395
Net earnings on investments .....	7.04%	6.81%	6.63%
Premium and annuity income .....	\$ 287,677	\$ 248,656	\$ 224,268
Dividends paid or credited to policyowners .....	\$ 49,864	\$ 45,187	\$ 42,416
Total benefits paid to policyowners and survivors .....	\$ 189,474	\$ 172,123	\$ 162,512
Net earnings per share (based on 500,000 shares)* .....	\$ 2.95	\$ 2.74	\$ 2.35
Dividends per share* .....	\$ 1.80	\$ 3.98	\$ 1.40
Number of shareholders at end of year .....	599	605	627

\*In 1972 there was included a special dividend of \$2.38.

Commencing in 1969 the total earnings of the Company were subject to corporate income tax in accordance with new taxation regulations, therefore the amount transferred to the shareholders' account was not subject to additional tax. Previously, income tax was levied only on the earnings in the shareholders' account.

For the years prior to 1966 the net earnings and dividends paid per share have been adjusted to reflect the five-for-one subdivision of shares during 1966.

1970	1969	1968	1967	1966	1965	1964
\$ 30,300 100,632	\$ 29,300 96,581	\$ 27,400 92,827	\$ 25,500 85,063	\$ 23,500 77,262	\$ 21,500 69,693	\$ 20,500 63,754
\$ 130,932	\$ 125,881	\$ 120,227	\$ 110,563	\$ 100,762	\$ 91,193	\$ 84,254
\$ 1,000 2,647	\$ 1,000 2,136	\$ 1,000 1,608	\$ 1,000 1,523	\$ 1,000 1,461	\$ 1,000 1,416	\$ 1,000 1,356
\$ 3,647	\$ 3,136	\$ 2,608	\$ 2,523	\$ 2,461	\$ 2,416	\$ 2,356
\$ 134,579	\$ 129,017	\$ 122,835	\$ 113,086	\$ 103,223	\$ 93,609	\$ 86,610

1970	1969	1968	1967	1966	1965	1964
\$ 1,193,396 986,761 206,635	\$ 1,184,220 959,815 224,405	\$ 1,093,467 967,622 125,845	\$1,052,522 894,834 157,688	\$ 994,592 848,987 145,605	\$1,027,642 793,408 234,234	\$ 855,548 727,612 127,936
\$11,417,268 8,780,956 2,636,312	\$10,820,297 8,369,438 2,450,859	\$10,181,437 7,948,408 2,233,029	\$9,443,271 7,405,714 2,037,557	\$8,696,738 6,884,407 1,812,331	\$8,043,786 6,382,748 1,661,038	\$7,328,972 5,891,101 1,437,871
\$ 1,628,857	\$ 1,546,439	\$ 1,484,929	\$1,388,904	\$1,295,085	\$1,205,726	\$1,112,170
6.52%	6.37%	6.18%	6.01%	5.93%	5.75%	5.72%
\$ 207,953	\$ 208,131	\$ 202,048	\$ 189,968	\$ 179,877	\$ 175,371	\$ 155,696
\$ 39,465	\$ 36,858	\$ 36,259	\$ 34,931	\$ 32,080	\$ 29,622	\$ 27,225
\$ 160,263	\$ 171,910	\$ 153,802	\$ 141,599	\$ 134,586	\$ 117,572	\$ 106,256
\$ 2.22	\$ 2.06	\$ 1.11	\$ 1.00	\$ .93	\$ .92	\$ .89
\$ 1.20	\$ 1.00	\$ .94	\$ .88	\$ .84	\$ .80	\$ .74
623	582	579	615	631	523	448

# Administrative officers

## **Actuarial**

L. B. Fewster  
Senior Actuary

J. C. McKibbin  
Actuary

I. R. Taylor  
Actuary

G. G. Cameron  
Research Actuary

## **Administration Regional Offices**

R. L. Low  
Administration Executive  
Regional Offices

## **Claims**

E. W. Kennedy  
Claims Executive

## **Communication Services**

J. B. Chick  
Communication Services  
Executive

## **Comptroller**

J. C. A. Macdonald  
Comptroller

## **Group Insurance**

C. A. Naylor  
Senior Actuary

A. M. Bayly  
Group Insurance Actuary

## **Group Pension**

R. G. Mephram  
Group Pension Actuary

## **Information Systems**

W. H. Thomson  
Information Systems Executive

## **Insurance Services**

G. A. MacLachlan  
Insurance Services Executive

## **Marketing**

### **Administration**

D. A. Smith  
Director of Administration  
Marketing

### **District Sales Division**

D. E. Creighton  
Director of Marketing

### **C. G. Chenier**

Associate Director of Marketing  
(Montreal)

### **W. H. Gleed**

Associate Director of Marketing  
(Toronto)

### **General Sales Division**

D. K. Shales  
Director of Marketing

### **J. A. Fowler**

Associate Director of Marketing

## **Medical**

J. S. Winder, M.D.  
Medical Director

J. B. Walker, M.D.  
Associate Medical Director

## **Mortgage**

R. D. Abercromby  
Mortgage Executive

## **Personnel**

W. A. McCoy  
Personnel Executive

## **Securities**

G. A. Gloin  
Securities Executive

## **Staff Health**

N. J. England, M.D.  
Staff Health Physician

## **Underwriting and Issue**

M. E. Comfort  
Underwriting Executive

# Regional offices

London Life maintains a network of more than 100 offices across the nation. These offices provide service for both individual and group coverage, and for the administration of London Life's extensive mortgage operations.

## **British Columbia**

New Westminster  
Vancouver (7 offices)  
Victoria

## **Alberta**

Calgary (5 offices)  
Edmonton (3 offices)  
Lethbridge  
Medicine Hat

## **Saskatchewan**

Moose Jaw  
Regina  
Saskatoon

## **Manitoba**

Winnipeg (5 offices)

## **Ontario**

Barrie  
Belleville  
Brampton (2 offices)  
Brantford  
Brockville  
Cambridge  
Chatham  
Cornwall  
Guelph  
Hamilton (4 offices)  
Kingston (2 offices)  
Kirkland Lake  
Kitchener  
London (3 offices)  
Niagara Falls  
North Bay  
Oakville  
Orillia  
Oshawa  
Ottawa (4 offices)  
Peterborough  
St. Catharines  
St. Thomas  
Sarnia  
Sault Ste. Marie  
Stratford  
Sudbury (2 offices)  
Thunder Bay  
Timmins  
Toronto (15 offices)  
Welland  
Windsor  
Woodstock

## **Quebec**

Montreal (18 offices)  
Rouyn-Noranda  
Sherbrooke  
St. Hyacinthe  
Val d'Or

## **New Brunswick**

Moncton  
Saint John

## **Nova Scotia**

Dartmouth  
Gloucester  
Halifax (2 offices)  
Middleton  
Sydney

London Life Insurance Company  
Head Office | London Canada

